REVISED

# BUDGET

## 1996 - 97

**SPEECH OF**

*CHIEF MINISTER*

**Thiru M. KARUNANIDHI**

Aadi 2, Thiruvalluvar Aandu 2027
17th July 1996

**Speech of Thiru M.Karunanidhi, Chief Minister, Government of Tamil Nadu, presenting the Budget for 1996-97 to the Legislative Assembly on 17th July 1996.**

Hon'ble Speaker,

At the outset I would like to express my profound sense of gratitude to the people of Tamil Nadu, friendly organisations, large-hearted friends, members of the media and the leaders of the opposition who have offered us their constructive criticism, for having enabled us to continue the legacy of our beloved Anna by restoring the Government created by him. We cannot forget his memory even for a moment as he lives on as our life breath and heart beat.

"என்னருந் தமிழ்நாட்டின் கண்
எல்லோரும் கல்வி கற்றுப்
பன்னருங் கலைஞானத்தால்,
பராக்கிரமத்தால், அன்பால்
உன்னத இமம லைபோல்
ஓங்கிடும் கீர்த்தி எய்தி
இன்புற்றார் என்று மற்றோர்
இயம்பக் கேட்டிடல் எந்நாளோ?

கைத்திறச் சித்திரங்கள்
கணிதங்கள் வான நூற்கள்,
மெய்த்திற நூற்கள், சிற்பம்,
விஞ்ஞானம் காவியங்கள்
வைத்துள தமிழர் நூற்கள்
வையத்தின் புதுமை என்னப்
புத்தகசாலை எங்கும்
புதுக்கு நாள் எந்த நாளோ?

கண்களும் ஒளியும் போலக்
கவின்மலர் வாசம் போலப்
பெண்களும் ஆண்கள் தாமும்
பெருந்தமிழ் நாடு தன்னில்,
தண்கடல் நிகர்த்த அன்பால்
சமானத்தர் ஆனார் என்ற
பண் வந்து காதிற் பாயப்
பருகுநாள் எந்த நாளோ?"

Would I ever be blessed with to hear
The Sweet and endearing message
That all the People of Tamil land are Learned men
Who have mastered all the fields of knowledge
Who are great intellectuals
And are also valiant souls
Who are kind and merciful in their dispensations
That they have attained the highest peaks of name and fame
And are living in peace and Ecstasy?

Would I ever be blessed with to hear
That the whole of the Tamil Land
Full of Libraries everywhere
Which have been added and enriched with
Great works on all the disciplines of learning
Such as Arts, Sculpture, Mathematics and Astronomy
And Science and Technology, Philosophy and Literature
Which have been endowed with
Modern and innovative knowledges on earth?

Would I ever be blessed with to hear
The sweet and nectar-like message
That would pour into my ears
Like sweet and captivating music
That the 'Equality' between Men and Women of the Tamils
Is fully visualised in this land of proud Tamils
That they are seen inseparably alike
Like the eyes and the light, the Flowers and fragrance
Who are mutually, showering great ocean-like affection and love?

(A verse by Poet Bharathidasan)

I place before this august House the Budget for 1996-97, with humility and in the hope that the measures we propose to undertake and the schemes we have formulated will be at least a small effort towards ushering in the day that the Revolutionary Poet Bharathidasan dreamt of.

## PHILOSOPHY OF FEDERALISM

2. As I present this Budget to you, the Indian political scene is undergoing tumultuous changes. A federal revolution is sweeping the whole world with 40% of the population living in countries with genuinely federal structures and of the remaining population one third living in countries with some form of federalism. **I welcome the Common Minimum Programme of the United Front Government led by Thiru H.D. Deve Gowda, which has been prepared bearing in mind this changing situation.**

3. While the Common Minimum Programme does not include all the elements which we would have liked, it still richly deserves to be fully supported and whole-heartedly welcomed as it replaces anti-poor policies which went against the interests of the country, and has as its main objective the provision of a clean, responsible and secular Government.

4. So far, five documents have been brought out on Centre-State relations:

1. The Administrative Reforms Committee Report, 1969.
2. The Rajamannar Committee Report of 1969, which was the first of its kind in India, prepared at the instance of of the DMK Government led by me.
3. The White Paper and the Resolution on State Autonomy passed by the Tamil Nadu Legislature in 1974.
4. The Memorandum on Centre-State Relations prepared by the West Bengal Government in 1977 under the leadership of Hon'ble Jyoti Basu, which emphasized the need for a federal policy with a view to enshrine the " full majesty of federal principles", and
5. The Report of the Sarkaria Commision, which was the first of its kind appointed by the Government of India in 1983, to examine Centre-State relations.

However, this Commission was not set up by the Government of India on its own initiative with the intention of ushering in a genuine federal system.

5. The Commission's report was a great disappointment to the D.M.K. No constructive suggestions on making India a truly federal State have been made in the report. While a few recommendations may have been made, the report does not contain any concrete ideas on transforming India into a federal polity. I would call it an advocacy of status quoism with small changes.

6. The Commission's report only recommends a few changes to Article 356. Further, a generous suggestion that the Government of India should share the proceeds of the Corporation Tax with the States had been made. Apart from this no mention has been made of true federalism.

7. This is quite in contrast with the report of the Mc. Donald Commission which was appointed in 1985 by the Government of Canada and had as its credo - "Canadian Federalism Past, Present and Future." The report resulted in major changes. However, the Sarkaria Commission has not suggested any such changes. Despite this, the then Central Government did not give effect to even the minimal changes recommended by the Sarkaria Commission.

8. The Sarkaria Commission's report had been gathering dust. We thought it had been put to eternal rest. However, now the Common Minimum Programme envisages a two track policy of on the one hand devolving more powers to the States to make State autonomy a reality, and on the other hand, having the recommendations of the Sarkaria Commission up-dated within a period of three months by appointing a High Level Committee. It has been assured that the Report of the Committee would be obtained within three months and made public. This is a milestone in the history of federalism.

9. I have discussed the issue of Centre-State relations and the devolution of powers with the **Union Home Minister, Thiru Indrajit Gupta** during his recent visit to Madras.

10. **The announcement of the Prime Minister that a meeting of Chief Ministers will be convened to discuss Centre-State relations is indeed good news.**

11. It should not be forgotten that India is a garden where several cultures have blossomed. Usually this is realised in different States only during the tourism week. The change brought about by the Common Minimum Programme to this situation needs to be welcomed. **This Programme contains within itself continuity, change and pragmatism.**

12. As far as the economic policy is concerned, while we welcome the inflow of foreign investment, it should not be permitted to enter areas where

it is not required. **We would prefer foreign investment to be a garland around the neck and not a tightening noose.** Public sector units are not to be privatised blindly. This also deserves to be welcomed. There will be no secrecy attached to disinvestment in public sector undertakings. Decisions regarding disinvestment of shares will be taken through a Disinvestment Commission. The funds thus generated will not be used to bridge the budget deficit but will be used for poverty alleviation programmes and the provision of basic services.

13. **As far as social justice is concerned, reservation is assured only in Central Government employment. The Common Minimum Programme does not refer to the extension of this reservation to Central educational institutions. While this is a shortcoming, I am hopeful that it will be rectified soon.**

14. None of the constituent parties of the United Front have sacrificed any of their policies in formulating this Programme, which is the reason why it is known as the Common Minimum Programme.

15. I would like to emphatically state that this Government will be steadfast in its position, on the need to apply the principles of autonomy to the rights of States so as to strengthen the integrity of a multi-ethnic country like ours; in not yielding to Hindi imperialism; on making all the official languages of the States, official languages of the Union; and as a first step, making Tamil an official language of the Union.

16. This budget has been prepared against the backdrop of these policies, principles and objectives.

17. It is also my duty to draw the attention of the Members of the House to the fact that since the detailed Demands for Grants for various Departments have to be presented and debated in this House, the Budget Speech only seeks to highlight certain significant schemes to be implemented by different departments.

## ELECTION PROMISES

18. In our election manifesto, we had made several promises. As you are aware, within a period of two months of assuming office, we have taken all the necessary steps to implement the following promises:

* Abolition of ground rent;
* Abolition of visitors' fee in hospitals;

* Elections to all local bodies before the end of September 1996;
* Elections to all primary cooperative societies before 30th September 1996;
* Conversion of crop loans amounting to Rs.112.33 crores due from drought affected farmers into medium term loans;
* Provision of Rs.2.40 crores for the Patta Pass Book Scheme;
* Orders issued for assured supply of quality power at specified timings to farmers;
* Adequate financial allocation made to ensure that there is no habitation without drinking water supply.
* Intensive efforts to bring Krishna water to Madras city before the end of this year .
* **Besides the existing 169 Industrial Training Institutes (I.T.Is) in the State, I.T.Is to be opened in the remaining 218 Panchayat Unions in a phased manner over the next three years.**
* **Financial assistance under the Moovalur Ramamirtham Ammaiyar Memorial Marriage Assistance Scheme increased from Rs.5000 to Rs.10,000.**
* **Financial assistance under the Dr. Muthulakshmi Reddy Ammaiyar Memorial Maternity Assistance Scheme increased from Rs.300 to Rs.500.**
* **Financial assistance under the Family Distress Relief Scheme payable on the death of the family bread winner increased from Rs.5000 to Rs. 7500.**
* **Financial assistance under the Accident Relief Scheme to the families of accident victims increased from Rs.10,000 to Rs.15,000.**
* **Irregular concessions granted by the previous Government resulted in private buses not serving rural areas. New legislation enacted to rectify this situation.**
* **Large scale corruption in the award of tenders eliminated.**
* **Vend fee has been enhanced to fetch the exchequer an additional revenue of Rs.75 crores per year which had earlier been diverted elsewhere, ensuring that the retail prices do not increase.**
* **Service fee on the export of molasses levied to yield Rs.6 crores per annum and to prevent corruption.**
* **The extent of dis-repair of the tenements of Tamil Nadu Slum Clearance Board to be assessed and repairs carried out based on the degree of damage. A provision of Rs.5 crores made for this purpose.**

## ELIMINATION OF CORRUPTION

19. The people have voted this Government to power mainly to eradicate corruption, take severe action against those who indulged in corrupt practices and bring them to book. At the same time, we have not forgotten that it is necessary to take appropriate prevention measures as well. This calls for certain changes in Government procedures and administrative practices. I had announced before the elections, that ways would be found to achieve this end. Therefore, to study the problem in an integrated manner and to make recommendations on the required reforms, a high level committee would be constituted immediately.

## CENTRE-STATE ECONOMIC RELATIONS

20. While we welcome the alternative scheme of devolution recommended by the Tenth Finance Commission that the major tax receipts of the Government of India should be pooled and the States given a specified share out of the overall pool as opposed to the present system of giving shares in specified taxes alone, the States' share of 29% recommended by the Commission falls short of our expectations. We are of the firm view that at least one-third of the gross tax revenue of the Centre should be shared with the States.

21. In 1970, out of the Centre's total investment of Rs.3885 crores, Tamil Nadu's share stood at Rs.312 crores, i.e., 8.03%. After 1980, even as Central investment rose substantially to Rs.1,73,501 crores in 1993, Tamil Nadu's share did not increase proportionately and was less than 5% of the all India investment. We would urge the Government of India to step up investment in key infrastructure projects in order to transform this situation. As a first step, we have requested that the expansion of the Tuticorin Port should be accelerated and we are hopeful that this request will be fulfilled. We have also requested the Government of India to take up at the earliest the execution of the Sethu Samudhram Project which is closely linked to the expansion of Tuticorin Port.

22. The Mass Rapid Transport System Phase-II being implemented in Madras city by the Ministry of Railways has to be extended from Luz to Velachery. Based on the commitment given by the previous Government to meet two-thirds of the cost of the project, a provision of Rs.50 crores has been made in this Budget to expedite its implementation. Thiru Ram Vilas Paswan , Minister for Railways, in his speech presenting the Railway Budget

for 1996-97 to the Parliament yesterday has assured that the project would not be starved of funds. I have to point out that it is the responsibility of the Government of India to fulfil this assurance.

## ANNUAL PLAN

23. This is the last year of the Eighth Plan period. In the Revised Estimates for 1995-96, the previous Government had provided for a plan outlay of Rs.3,316 crores. However, the actual expenditure during 1995-96 was only Rs.3,281 crores. Nevertheless, we are confident that there would not be any difficulty in fully achieving the approved outlay of Rs.10,200 crores for the Eighth Plan period.

24. The plan size for the current year is yet to be finalised in consultation with the Union Planning Commission. In the Interim Budget for 1996-97, a provision of Rs.3,550 crores has been made for the Annual Plan. The plan outlay for 1996-97 will now go up to Rs.3,700 crores due to the revival of a number of schemes started when our party was in office during 1989-91 but subsequently given up, as well as due to the introduction of several new schemes in the Budget. We have deliberately restricted the over all plan size to Rs.3,700 crores since only 8 months are left in the current financial year. Had the full financial year been available, the plan size would have crossed Rs.4,000 crores. Even then, the current year's plan outlay is 15.63% higher than the approved outlay for 1995-96.

## FOOD SITUATION

25. The `Kuruvai' and `Samba' harvests in the Cauvery delta were substantially lower last year. The cultivated area in the Kuruvai season has declined considerably this year as well. Rice production has declined from 76.86 lakh tonnes in 1994-95 to 52.06 lakh tonnes in 1995-96. This is mainly due to the non-receipt of the due quantum of water in the Cauvery river and the failure of the monsoon in the State.

26. Since the public distribution system has to fully cater to the needs of the people, we have requested the Government of India to increase Tamil Nadu's allotment of rice from the Central pool to 2.25 lakh tonnes per month. Apart from this, to build up the buffer stocks of the Tamil Nadu Civil Supplies Corporation, measures have been taken to purchase additional quanties of rice from the Food Corporation of India and from neighbouring States following due procedures. **A provision of Rs.1000 crores has been made towards subsidy for the supply of 20 kgs. of rice per family card.**

27. To further improve the functioning of the Public Distribution System, a committee consisting of Government officials, representatives of consumer forums and Members of the Legislative Assembly will be deputed to study the functioning of the system in neighbouring States, and necessary action will be taken based on the recommendations of this Committee.

## DROUGHT AND FLOOD RELIEF

28. In many parts of the State affected by drought, drought relief works were implemented expeditiously after this Government assumed office with a budgetary outlay of Rs.36 crores and **debt relief was provided to farmers. Remission of Rs.22.30 crores of land revenue has been ordered for the Fasli year 1405.**

29. Further, following the severe cyclonic storm which affected the northern coastal districts of the State, **the quantum of relief available for fully damaged houses has been enhanced from Rs.500 to Rs.1000 and from Rs.250 to Rs.500 for partially damaged huts, uniformly in all parts of the State without any differentiation. For the first time relief has been sanctioned for the loss of livestock, at the rate of Rs.5000 per adult head of cattle, Rs.3000 for calves and Rs.1000 for sheep and goats.** Such relief will continue to be paid on the occurrence of similar calamities in the future. This will apply to fire accidents in addition to floods and cyclones.

## AGRICULTURE

30. Against the total foodgrain production of 97.52 lakh tonnes during 1994-95, the production in 1995-96 declined to 72.60 lakh tonnes.

31. An Expert Committee under the chairmanship of Dr. V.C. Kulandaiswamy has been appointed to formulate plans and to make recommendations on the appropriate technological interventions for waste land development, improvement of irrigation facilities, poverty alleviation and the uplift of the standard of living of the farmers, thereby ushering in a Second Green Revolution in the State. This Expert Committee will include Dr. M.S. Swaminathan, Thiru S. Guhan, Dr. A Vaidyanathan, Dr. Sambandamurthy, Dr. Rani Perumal, Thiru Mohanakrishnan, Dr. T. Natarajan and Dr. C.A. Pundarikanthan. The Secretary to Government, Agriculture department will be the Member Secretary of this Committee.

32. Despite low rainfall, agriculture in Israel has been made high yielding and profitable, thanks to the adoption of superior technology.

Therefore, we shall establish contact with that country and with their technical assistance, improve farming technologies and thereby increase yield in areas of the State which receive low rainfall.

33. The Tamil Nadu Agriculture Development Project will be implemented during the current year with an outlay of Rs.96.87 crore. The Agricultural Human Resources Development Project will be implemented during the current year with an outlay of Rs.23.80 crores.

34. This Government will enunciate a commercial floriculture policy to provide the necessary thrust for the development of floriculture. A Flower Auction Centre is proposed to be set up in the vicinity of Madras airport to cater to the needs of both domestic and export markets at a total cost of Rs.20 crores. The Tamil Nadu Agro Industries Corporation Limited will set up an integrated coconut processing unit in Kanyakumari district in the associate sector with an equity participation of Rs.1 crore.

## IRRIGATION

35. There are nearly 40,000 tanks in Tamil Nadu. Out of these 20,000 tanks with an ayacut of less than 100 acres under the control of Panchayat Unions and 10,000 Ex-zamin tanks have traditionally been repaired and maintained under the "Kudimaramathu" system. These tanks have not been covered under any project and have been ignored for the past several years. **The Government has appointed a high level committee to study in depth, the alternatives for repairing and modernising these 30,000 tanks. Based on the recommendations of this Committee, these tanks will be upgraded with assistance from international financial institutions within the next 3 or 4 years.**

36. **The Water Resources Consolidation Project will be implemented over 5 years at a total cost of Rs.1140 crores with World Bank assistance.** The outlay for the current financial year will be Rs.164.22 crores. This project will provide for the rehabilitation of all major and medium irrigation schemes in the State except the Cauvery system. The project would enhance agricultural production in 17.30 lakh acres, which is 50% of the total surface water irrigated area in the State and will benefit 40 lakh persons including farmers and agricultural labourers. The details of the schemes will be mentioned in the Demands for Grants of the Public Works Department.

37. The Periyar dam has been strengthened at a cost of about Rs.18.50 crores so that the storage could be increased by an additional 16 feet.

**Consequently it has been decided to make the increased water available to 58 villages in Usilampatti Taluk of Madurai District by excavating a canal from the Vaigai Dam and thereby fulfilling a long standing request of the people of the area. This scheme will be implemented over a period of 4 years at a total cost of Rs.33.81 crores.**

38. **A new reservoir across the Andiyappanoor Odai in Vaniyambadi Taluk of North Arcot Ambedkar District will be constructed over the next 3 years at a cost of Rs.18.28 crores.**

39. **A reservoir will also be formed across the Varattar and Kuppathu Odai in Tenkasi and V.K.Pudur taluks in Tirunelveli Kattabomman district at a total cost of Rs.8.78 crores over a period of 3 years.**

40. **The Shenbagathope reservoir scheme in Polur taluk of Thiruvannamalai Sambuvarayar District will be undertaken at a cost of Rs.21.33 crores. This scheme will be implemented in 4 years.**

## CAUVERY DISPUTE

41. The Cauvery dispute has been eluding a solution for almost 30 years now. With a view to prevent the politicisation of what is basically an issue between the farmers of Tamil Nadu and Karnataka and to obtain an impartial verdict, the Government of Tamil Nadu had impleaded itself in the case filed by the Thanjavur Delta farmers and thereby ensured the constitution of the Cauvery Water Disputes Tribunal in 1990, when the National Front Government was in office at the Centre. Our established position is that we are always in readiness to extend our hand for cordial relations while at the same time we would not hesitate to raise our voice for our rights. **Accordingly, we are determined to take every possible legal action to protect Tamil Nadu's right to Cauvery water within the overall framework of the Tribunal, in accordance with its orders, and in a politically non-partisan manner.** It will be appropriate that this matter is viewed not as a dispute between two nations, but as an issue between two States of India, with the spirit of national integration and a humane outlook.

## EDUCATION

42. During this financial year, 85 new primary schools will be started in the very few areas which do not have primary schools at present. To avoid malpractices and irregularities, the recruitment of teachers will only be through

the employment exchanges based on the seniority of registration. The syllabus for the primary classes will be revised based on the Minimum Levels of Learning. A massive Teachers' Training Programme will also be launched during this year at a cost of Rs.50 lakhs.

43. The District Primary Education Project at a cost of Rs.125.80 crores is being implemented in four districts viz. South Arcot Vallalar, Villupuram Ramasamy Padayatchiyar, Tiruvannamalai Sambuvarayar and Dharmapuri. **The project is to be extended to cover three more districts at an additional cost of Rs.120 crores.** The outlay under the project in the current year will be Rs.25.51 crores and the Budget provides Rs.4 crores as the State's share.

44. **21 primary schools will be upgraded as middle schools, 99 middle schools as high schools and 80 high schools as higher secondary schools in the current year. A programme to provide additional class rooms and basic amenities in high schools will be undertaken. A budget provision Rs.6 crores has been made for this. The Government has taken up a programme to construct laboratory buildings in all higher secondary schools in the State within the next three years.**

45. **This Government has announced a new scheme to encourage students who display keenness in their studies. Under this scheme, for the students who have secured the first three ranks at the State level in SSLC, the entire educational cost upto the plus 2 stage will be borne by the Government. Similarly, for students who have secured the first three ranks at the State level in plus 2, the entire cost of their education in medical, engineering or any other degree course that they wish to pursue will be borne by the Government. This scheme is being implemented from the current year onwards. The scheme will be extended to the districts as well from next year onwards to encourage students.**

46. **When this party was in power in 1989-90, orders were issued to add 5 marks to the marks secured by the students who were from families without any graduates and who wanted to pursue professional courses. This greatly benefitted students belonging to all communities. However, due to a High Court stay order, this scheme could not be continued. This Government will now introduce a new scheme to encourage students from families who do not have any graduates and are interested in pursuing professional courses. Under this scheme, the Government will bear the full cost of education in professional courses including medicine, dentistry, engineering, agriculture and veterinary sciences for those who secure the first 10 places amongst students from**

**such families without graduates based on the marks obtained out of the total of 300 marks.**

47. This Government has lifted the ban imposed by the previous Government on admitting Sri Lankan Tamil students to higher education courses and has created opportunities for such students to pursue all courses including professional courses.

## LAW UNIVERSITY

48. A site has been selected for locating the bench of the Madras High Court at Madurai. The High Court will be requested to give its approval for temporarily locating the bench of the High Court in the Madurai District Court complex.

49. A bill will be introduced to form the Dr. Ambedkar Law Univeristy in the current session of the Legislative Assembly and all necessary action will be taken so that the University can start functioning from the current year itself.

50. Fulfilling a long standing request, a new Law College will be set up at Tirunelveli in the current year itself.

## TAMIL OFFICIAL LANGUAGE AND TAMIL CULTURE

51. This Government is committed to the growth of Tamil in various fields. Therefore, focus specifically on Tamil development, a separate Ministry has been created. Very soon, it will be ensured that Tamil becomes the full official language. Even after the enactment of the Official Language Act in 1956 and the issue of several Government orders, the use of Tamil as the official language is yet to be fully accomplished. In order to rectify the situation this Government has decided to provide 500 Tamil typewriters in the Secretariat as a first step.

52. The Tamil Etymological Dictionary project was started in 1974 when this party was in power. The project had suffered a severe set back in the intervening period. Special attention has been paid in the current year to revive and expedite the project with a view to complete the remaining volumes within the next five years.

53. **The Government has decided to nationalise the invaluable works of the great scholar of Tamil, the late Devaneya Pavanar revered in the hearts of the Tamils as "Mozhi Gnyayiru", a leading advocate of the usage of chaste Tamil, and who helped start the Tamil Etymological Dictionary Project when this party was in office earlier. A sum of Rs.20 lakhs will be provided for payment of royalty to his family.**

54. We are firm believers in Anna's pearls of wisdom that "the jasmine blossoming in the enemy's garden also has its fragrance". Accordingly we continue to honour and respect late leaders of all hues without any expectation of reciprocity. **Accordingly, this Government has written to the Government of India to release a commemorative stamp to coincide with the centenary celebration of one of the gems of the resplendent necklace of Tamil culture, Sardar Vedarathinam(Pillai), also known as "Patel of Tamil Nadu", which falls on 25th February 1997.**

55. **The monthly pension paid to 1,935 Tamil stalwarts, 441 aged Tamil scholars and 4,267 indigent artistes will be increased from Rs.400 to Rs.500. Likewise the monthly pension paid to 1,778 ulemas will be increased from Rs.400 to Rs.500. The monthly pension paid to 100 odhuvars, 100 vedhaparayanars who have recited the Vedas or the Dhivyaprabhandam and those who have performed Aryar Sevai and 500 Archagas will be enhanced from Rs.300 to Rs.500. The scheme will be extended further to cover 1,500 village priests, who will also be paid Rs.500 per month.**

56. **We have released Rs.50 lakhs as the first instalment of our share of the cost setting up the Dravidian University at Kuppam in Andhra Pradesh.**

57. **A provision of Rs.5 lakhs has been made this year for the scheme to translate rare old books into Tamil from other languages.**

58. **The name "Madras" traces its origin to some other language. I am happy to inform the House that this Government has decided that Madras will hereafter be known in all languages by only one name, "Chennai", and we would take appropriate action to give effect to this new measure.**

## HEALTH AND FAMILY WELFARE

59. 136 Primary Health Centre buildings were constructed in just 2 years from 1989 to 1991. Thereafter, in the 5 years from 1991 to 1996 only

93 Primary Health Centre buildings were constructed. At present in Tamil Nadu 600 Primary Health Centres are without buildings. **In the current year provision has been made for the construction of 300 Primary Health Centre buildings at a total cost of Rs.18 crores** as against the provision for the construction of only 70 Primary Health Centre buildings during 1995-96. Thus, buildings will be constructed for all the remaining 600 Primary Health Centres within a period of 2 years.

60. We are approaching the Government of India for setting up a National Institute of Siddha Research at Madras at a cost of Rs.10 crores.

61. The third phase of the Danida Health Care Project at a cost of Rs.57.51 crores will be implemented from September 1996 to cover Dharmapuri, Thanjavur and Nagapattinam Quaid-e-Milleth districts.

## RENAISSANCE IN INDUSTRIAL DEVELOPMENT

62. **Several large industries will be set up in the State generating substantial employment opportunities. Ford Mahindra Ltd will set up a plant to manufacture 1 lakh cars per year at Maraimalainagar, which will generate direct employment opportunities for 2000 persons and indirect employment for 20,000 persons.**

63. I am happy to announce that a Memorandum of Understanding has been signed in my presence yesterday, the 16th July 1996, with Pilkington of England to set up **a plant to manufacture the best quality float glass in the world with an investment of Rs.550 crores generating direct employment for 500 persons and indirect employment for 5000 persons, at Redhills in Chengalpattu district.**

64. **Hyundai Motor Company of Korea will set up a plant to manufacture 2 lakh cars per year at a total cost of Rs.2450 crores near Sriperumbudur.** I am happy to announce that the memorandum of understanding for this will be signed tomorrow 18th July 1996. This will generate direct employment for 3000 persons and indirect employment for 30,000 persons.

65. **Thapar Du Pont Limited are setting up a Rs.600 crore Nylon 6.6 project, currently under construction in the SIPCOT Complex at Gummidipoondi.** To dispel fears of the local people, the Government has ordered on the strict observance of all pollution control norms and the setting up of an effluent treatment plant, which have been complied with.

66. **A fully export oriented modern abattoir near Pollachi at a total cost of Rs. 168 crores will be set up by TIDCO in the associate sector with Enkay Group of Abu Dhabi.**

67. **TIDCO will also set up an integrated coconut processing project at a cost of Rs.38.40 crores in association with Rai Surana Ltd.**

68. **We will revitalise the proposal to set up a permanent Trade Fair Centre in the State.** TACID in collaboration with the Federation of Indian Export Organisations will set up a Trade Fair Centre near Madras at a total cost of Rs.120 crores.

69. The New Tiruppur Area Development Corporation Ltd., with the equity participation of TACID, the Tiruppur Exporters' Association, IL & FS and the Central Government will implement the Tiruppur Area Development Project with an outlay of Rs.1313.20 crores.

70. A regular forum for industrialists to represent their grievances and requests at the highest level will be formed. **An Apex level Standing Committee on Industrial Development will be constituted with the Chief Minister as the Chairman,** and it will consist of 12 nominees of various Chambers of Commerce and Industry, 6 prominent industrialists nominated by the Government and officials representing different departments.

71. The B & C Mills labour problem has been resolved amicably through negotiations held in the presence of our Labour Minister, which is one more instance that reveals the concern that this Government has for relieving the distress and securing the rights of the working class, who assist in industrial development.

## MINING AND MINERALS

72. This Government has consistently followed a Granite Policy which ensures both the proper exploitation of the mineral wealth of Tamil Nadu and increased revenue to the exchequer. When our party was in office in 1989-90, it had been laid down that only the sealed tender system should be adopted for the lease of granite quarries and that the lease holder should start quarrying and set up a granite polishing unit within two years of the receipt of the lease deed.

73. Based on this policy, during 1989-90, tenders were called for in two stages and quarrying leases were granted for an area of 262 hectares, and in a period of just two years, the Government received Rs.20 crores as revenue.

74. However, the successor Government changed this system by introducing a new Rule-39 in the Tamil Nadu Minor Minerals (Concession) Rules and did away with the tender system. As a result, in the three year period from 1993 to 1996, for an area of 160 hectares, the revenue realised was only Rs.5.12 crores. As against this, the revenue received in the two years when our party was in office was four times higher.

75. The new Granite Policy of this Government will permit leases for 20 years instead of 10 years. Quarrying will have to be commenced and polishing units set up within a period of 3 years. This new policy will not only fetch more revenue to the Government but will also ensure industrial development.

## POWER DEVELOPMENT

76. The 630 MW North Madras Thermal Power Project-I and the 120 MW Basin Bridge Gas Turbine Project which had been conceptualised and commenced when this Government held office during 1989-91 have only recently been commissioned. The 7.5 MW Sathanur Hydro Electric Project and the 8 MW Lower Bhavani Hydro Electric Project will be commissioned during 1996-97.

77. Further development of generation capacity in Tamil Nadu will be mainly in the private sector. The Tamil Nadu Electricity Board has identified 16 private promoters to establish a generating capacity of 10,878 MW in the next 10 years. The power purchase agreements for the 500 MW North Madras Thermal Power Project - Stage III, the 330.5 MW gas-based power project at Pillaipermanallur, the North Madras- Thermol Power Project Stage-II and the Cuddalore Thermal Power Projects and the diesel based projects at Basin Bridge and Samayanallur are under examination.

78. With a view to reduce the dependence on the private sector for setting up new power projects, a 2000 MW South Madras Thermal Power Project will be set up at Cheyyur as a joint venture with the National Thermal Power Corporation. As a short term measure to tackle the immediate shortage of power, the Government is examining proposals to set up liquid fuel based power plants.

79. **Co-generation plants will be set up in all the sugar mills in Tamil Nadu.** 83.32 MW of additional capacity will be created in co-generation plants in 5 Sugar Mills during the current financial year and a further capacity of 87 MW is likely to be commissioned during 1997-98.

## ROADS

80. Provision of good roads in rural areas will be accorded very high priority. Under the Rural Roads Programme, villages with a population of more than 1000 as per the 1991 census will be covered. **The outlay for this programme in the current year has been stepped up to Rs.28 crores as against the outlay of Rs.18.50 crores during 1995-96.** The outlay this year on the Bus Route Roads Improvement Programme will be Rs.14 crores. The component for providing roads to rural marketing centres under the Tamil Nadu Agricultural Development Programme will be implemented this year with an outlay of Rs.30 crores. In addition, a provision of Rs.10 crores has been made for improving the roads and bridges damaged by cyclones and floods under the Tamil Nadu Agriculture Development Project.

81. A provision of Rs.35 crores has been made in the current year for the roads component of the Tamil Nadu Urban Development Project. A provision of Rs.20 crores has been made for the implementation of the East Coast Road Project with assistance from the Asian Development Bank.

## TRANSPORT

82. Hon'ble Members of the House are aware of the critical financial situation faced by several transport corporations in the State. All the transport corporations put together are likely to incur a total loss of Rs.300 crores during the current year. The loss is likely to increase further due to the recent diesel price hike announced by the Government of India. All attempts will be made to improve the physical and financial performance of the transport corporations by enhancing efficiency and reducing waste.

83. **When our party was in office during 1989-91, free travel concession was introduced for students upto class-VIII in State owned buses. I am very happy to announce that this concession will now be extended to students studying upto Class-X.**

## PORT DEVELOPMENT

84. Tamil Nadu has a very long coast line with tremendous potential for developing international trade, coastal shipping, marine fisheries and related activities. This Government will accord high priority to ensure that this potential is utilised and minor ports are developed. **Accordingly, the Government has constituted a statutory Maritime Board** which will chalk out a strategy for the development of ports and attract investment from the private sector and financial institutions. Based on the recommendations of the Transport Minister who had studied the functioning of the Maritime Board in Gujarat, this board will prepare a "Port Expansion Policy", which will cover the expansion of minor ports like Rameswaram, Pamban, Valinokkam, Colachel, Kanyakumari, Ennore and Punnakayal, besides examining the possibility of establishing new ports at places like Thondi, Korkai and Mamallapuram. The expansion of existing minor ports and the establishment of new ports will be based on these recommendations. The Government will take all necessary action to revive the ship breaking yard at Valinokkam.

## RURAL DEVELOPMENT

85. The Jawahar Velai Vaippu Thittam will be implemented with an outlay of Rs.157.05 crores in the current year, of which the State's share will be Rs.31.41 crores. When this party was in power in 1972, the D.M.K. Government introduced for the first time in India, a scheme for constructing free concrete houses for Scheduled Castes which today goes in the name of the Indira Awas Yojana. **Under this scheme, Rs.100.24 crores will be available for the construction of 71,597 tiled houses. The State Government will make a further allocation of Rs.50.81 crores to ensure that free concrete houses are provided to all categories of beneficiaries. As part of this, 60,000 free houses with concrete roofs will be constructed at a cost of Rs.126 crores for Adi Dravidars. The "Million Wells Scheme" will be implemented at a cost of Rs.39.25 crores.**

## HOUSING

86. At present the Tamil Nadu Housing Board caters to the requirements of Government servants and the middle class only. It does not undertake construction of houses for people living in rural areas. **To correct this situation, this Government will set up a Rural Housing Board.**

## URBAN DEVELOPMENT

87. We have sought an extension of three years for the Tamil Nadu Urban Development Project since a substantial unutilised amount is still available. The project will be implemented during the current year with an outlay of Rs.260.50 crores including a budgetary support of Rs.146.25 crores. A Tamil Nadu Urban Development Fund with contribution from the State Government and financial institutions is to be set up to finance infrastructure schemes in municipal areas in the State.

88. An allocation of Rs.9.15 crores has been made in the Budget for providing basic amenities to the newly added areas in various municipalities in the State. **In the Governor's address, it has been announced that Rs.100 crores will be provided for the development of the Corporations of Coimbatore, Madurai, Tirunelveli, Tiruchirapalli and Salem. A provision of Rs.25 crores has made this year for this purpose.**

89. **A special allocation of Rs.25 crores has been made in the current year for providing basic services including street lights, improvements to roads, better conservancy services and drinking water supply in town panchayats.**

90. The Tamil Nadu Slum Clearance Board will utilise a special grant of Rs.60 crores, recommended by the Tenth Finance Commission for the upgradion of slum areas. A provision of Rs.12 crores has been made for this purpose this year.

91. **The Tamil Nadu Slum Clearance Board was established in 1970 when our party was in office. The tenements constructed by the Board will be transferred to the residents at their option on payment of a fair price in easy instalments.**

## MADRAS CITY DEVELOPMENT

92. An investment of Rs.200 crores will be made for upgradation of infrastructure in Madras city. Accordingly, Rs.50 crores has been provided for the Metropolitan Infrastructure Development Corporation in the current year. This Corporation will utilise this amount and raise funds from financial institutions for investment in infrastructure development and provision of basic services.

93. The budget includes a provision of Rs.9.80 crores for land acquisition for forming the Outer Ring Road.

## DRINKING WATER SUPPLY TO MADRAS AND OTHER AREAS

94. Recently, after I had spoken to the Chief Minister of Andhra Pradesh, our Minister for Public Works visited Hyderabad and concluded an agreement with him, according to which, we have been assured that as per the original agreement of 1983, 12 tmc of water will be provided to Madras city. **As a first step, both States are taking all measures on a war footing to ensure that 3 tmc ft of water is delivered to Madras city before the end of this year.** Through this agreement, the Government of Andhra Pradesh has undertaken to supply 4 tmc ft of water in the second phase and 5 tmc ft of water in the third phase. To expedite these works, the budgetary provision for the payment to be made to Andhra Pradesh has been enhanced to Rs.50 crores and Rs.25 crores has already been released.

95. **A Pumped Storage Scheme at Manali for re-charging the well fields around the area will be taken up at a cost of Rs.26 crores.** In the current year a provision of Rs.5 crores has been made in the Budget for this purpose.

96. **A provision of Rs.5 crores has also been made for the extension of sewerage facilities to unsewered streets in Madras city, subject to the house owners paying the usual charges for the new connections.**

97. **An allocation of Rs.5 crores has been made for providing sewerage facilities free of cost to Adi Andhra colonies in Madras city.**

98. **A special provision of Rs.30 crores has been made in the budget to upgrade 2770 power pump schemes in rural areas. A provision of Rs.12.50 crores has also been made for upgrading 289 Combined Water Supply Schemes. In addition, for the first time, a budget provision of Rs.15 crores has been made for the maintenance of Combined Water Supply Schemes by TWAD Board.** To maintain these Combined Water Supply Schemes, TWAD will appoint 2000 persons.

## ENVIRONMENT

99. Protection of the environment will be accorded the highest priority by this Government. It is proposed to construct a total number of 57 Common Effluent Treatment Plants to cover 3130 units including tanneries, textile dyeing units, sago units, hotels, hospitals and chemical units. In the budget a provision of Rs.2.50 crores has been made towards the State's share of subsidy for setting up Common Effluent Treatment Plants.

100. The Budget provides for the establishment of two continuous air quality monitoring systems at Tuticorin and Cuddalore at a cost of Rs.40 lakhs each.

101. A detailed strategy for the prevention and management of pollution by different sources will be developed. A provision of Rs.50 lakhs has been made in the Budget for this purpose.

## ANIMAL HUSBANDRY

102. During this financial year 10 veterinary dispensaries will be upgraded to veterinary hospitals, while 10 new veterinary dispensaries will be opened. Ladies hostels will be constructed at the Fisheries College at Tuticorin and the Veterinary College at Namakkal under Veterinary and Animal Sciences University.

## FORESTS

103. A Comprehensive Tamil Nadu Forestry Project at a cost of Rs.496 crores has been prepared and the approval of the OECF (Japan) for this project will be received during the current year itself. The Budget provides Rs.1 crore to commence implementation of this project.

## SCHEME FOR CONSTRUCTION OF FREE HOUSES AND UPGRADING BASIC SERVICES FOR FISHERMEN

104. **I am delighted to inform the House that a special scheme will be launched to construct 20,000 houses with one electric light connection each, over a period of 5 years for fishermen families living in thatched huts in the 442 fishing villages in the State. The outlay on this scheme to provide basic services like the construction of 4000 free houses per year, making improvements to houses which are in a state of disrepair, provision of link roads and street lights, will be Rs.75 crores over a period of 5 years.** An initial provision of Rs.6.73 crores has been made in the budget for this purpose.

## EMPLOYMENT

105. The number of youth registered in employment exchanges has increased from 26,07,092 in 1988 to 34,79,202 in 1995. However, the number of those provided employment has progressively declined from 54,388 in 1988 to 16,592 in 1995. This Government will accord high priority to

ensureing that this situation is improved and unemployed persons both in rural and urban areas are provided with employment.

106. **The "Makkal Nala Paniyalargal" scheme will be revived to provide employment to educated youth in rural areas who have completed 10th standard and are in search of employment. Those employed under this scheme will be paid an honorarium of Rs.500 per month** and will be engaged in activities such as adult literacy, continuing education, running of libraries to promote awareness, helping protect village common property resources and encouraging small savings. **Two persons will be appointed as Makkal Nala Paniyalargals in each panchayat, giving employment to 25,000 persons in all. Similarly, 10,000 persons who have passed "Plus-2" will be employed in municipalities and town panchayats.**

## EMPLOYMENT AND WOMEN'S DEVELOPMENT

107. **The Government will replicate the efforts of a few private individuals involved in propagating the evils of drinking through women groups. A provision of Rs.5 crores will be made for this scheme which will involve 25,000 women and provide them employment.**

108. When our party was in power in 1989, a major scheme called the Tamil Nadu Women Development Project was launched in Dharmapuri district. This scheme is currently under implementation in some parts of six districts benefitting 55,000 poor women. **This Government has decided to extend this scheme to the whole State, at a total cost of Rs.1420 crores including the contribution of financial institutions, banks and the Government's share, so that more income generating activities and employment opportunities are available to rural women below the poverty line. This year, the scheme will be implemented in 10 districts to benefit 3 lakh women.** The implementation of this scheme will be integrated with several other schemes like the Integrated Rural Development Programme, Development of Women and Children in Rural Areas (DWCRA), Prime Minister's Rozgar Yojana, Entrepreneur Development Programme for Women, Indira Mahila Yojana, Special Component Plan, Waste Land Development Programme and the Watershed Development Programme. By the phased extension of the scheme to other districts in the next five years, 10 lakh women will be benefitted.

## NUTRITION

109. The total outlay on the nutrition scheme introduced by the former Chief Minister MGR, has been enhanced from Rs.360 crores in 1995-96 to Rs.401 crores during 1996-97.

"வயிற்றுக்குச் சோறிட வேண்டும் - இங்கு
வாழும் மனிதருக்கெல்லாம்;
பயிற்றிப்பல கல்விதந்து - இந்தப்
பாரை உயர்த்திட வேண்டும் "

" Feed the people
Who are hungry
Educate the people
To uplift the World "

**To fulfil this dream of Mahakavi Bharatiyar, this Government will launch a new "Hunger Free Area Programme" with an aim to eradicate poverty induced hunger.** A number of schemes are already under implementation to alleviate poverty and to cater to the nutrition requirements of different groups of the population. Gaps in this coverage will be identified which can then be specifically targetted under the Hunger Free Area Programme. Provision has been made in the Budget for preparing a detailed strategy to implement this programme in association with Dr. M.S Swaminathan.

## WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES

110. This Government will pay special attention to the welfare of the Scheduled Castes and Scheduled Tribes. **The outlay on the welfare of Scheduled Castes and Scheduled Tribes has been stepped up substantially from Rs.208.10 crores in 1995-96 to Rs.267.39 crores in the current year.**

* A post graduate students' hostel will be opened for the first time during 1996-97.
* A three year programme to construct hostel buildings for all Adi-Dravidar girls' hostels will be implemented. The Budget for 1996-97 provides Rs.8.50 crores for this purpose.
* 40 new hostels for Adi-Dravidar students will be opened during this year.
* All Adi-Dravidar higher secondary schools will be provided with laboratory buildings and equipment in the current year at a total cost of Rs.72 lakhs.

* 25 high schools will also be provided with laboratory facilities in the current year.
* Computer courses will be started in 10 Adi-Dravidar welfare higher secondary schools.

## WELFARE OF BACKWARD CLASSES AND MOST BACKWARD CLASSES

111. Before 1969, only a few lakhs of rupees were provided every year for the welfare of the Backward Classes. Only when this party was in office in 1969, was a separate Ministry created for the welfare of the Backward Classes. The outlay for the welfare of the Backward Classes, Most Backward Classes and Denotified Communities has been stepped up from Rs.47.27 crores in 1995-96 to Rs.54.31 crores this year. Special importance will be accorded for promoting the welfare of the Backward and Most Backward Classes in education and employment. **In continuation of the sustained services rendered by Thanthai Periyar, Peraringar Anna and Perunthalaivar Kamarajar, this Government is fully committed to ensuring that the Backward Classes and Most Backward Classes realise the full benefit of the 69% reservation.** A total number of 45 new hostels will be opened for the benefit of students of Backward and Most Backward Classes and Denotified Communities this year. 9 Hostel buildings will also be constructed at a total cost of Rs.58.32 lakhs in the current year.

112. **A new scheme for the supply of all text books free of charge to Class X students belonging to Backward Classes and Most Backward Classes will be implemented from the current year onwards at an annual cost of Rs.45 lakhs.**

## WELFARE OF HANDLOOM WEAVERS

113. When this Government held office earlier, it had introduced the scheme of free supply of sarees and dhoties to the families living below the poverty line for the benefit of handloom weavers. However, a number of irregularities crept into the implementation of this scheme in the recent past. **The scheme of free distribution of sarees and dhoties to all those below the poverty line will be implemented in a manner that will promote the welfare of handloom weavers in Tamil Nadu. The Budget provides Rs.65 crores for implementation of the scheme.**

114. The Cooperative Spinning Mills which were making profits during 1989-91 have incurred heavy losses during the last five years. Due to several managerial irregularities, the total cumulative loss of the 18 Cooperative Spinning Mills has increased to Rs.181.43 crores at the end of 1995-96. Before this Government took office, **it had been promised in the election manifesto that speedy action would be taken to re-open the closed spinning mills, revive the sick mills and thereby rehabilitate the workers.** Based on this, the Government has taken action to re-open the closed Cooperative Spinning Mills and to revive the sick mills.

115. A savings cum insurance scheme for handloom weavers who are members of cooperative societies has been implemented since 1975-76. Under this scheme, the amount paid to the heirs of member weavers who died before the age of 58 by the Life Insurance Corporation of India was Rs.3,000 upto 1989-90. In the Budget for 1990-91 this amount was increased from Rs.3,000 to Rs.10,000. At present the insurance amount is Rs.15,000. **Based on the requests of associations of weavers to increase the amount, the insurance amount will be now enhanced to Rs.25,000/-. This will benefit 1.10 lakh handloom weavers who are enrolled under this scheme.**

## ENCOURAGEMENT TO FILM INDUSTRY

116. All of you are aware that soon after this Government assumed office, the Information Minister and I amicably settled the problems that had arisen between the film producers and workers in the film industry. The Government has received several representations that the film industry in Tamil Nadu is in the doldrums. The Government has decided to extend some concessions to ensure that this industry which employs lakhs of people does not suffer.

117. At present the charges for film shooting in buildings under the control of the Department of Archeology, ancient monuments, Government offices,etc. is Rs.5,000 per day, and in reserved forest areas, coastal roads, highways, dams and other public places, Rs.2,500 per day. **Since these charges are considered to be very high, they will be reduced from Rs.5,000 per day to Rs.1,000 per day and from Rs.2,500 per day to Rs.500 per day respectively.**

118. **Under the scheme for providing financial assistance to quality, small budget Tamil films with less than 25 prints, introduced in 1989 when this party was in office, the assistance will now be increased from Rs.3 lakhs to Rs.5 lakhs. Such films will also be exempted from Entertainment Tax for the first four weeks after their first release.**

## WELFARE OF GOVERNMENT EMPLOYEES

119. **As assured in our election manifesto, the Government Employees' Family Security Fund will be enhanced from Rs.60,000 to Rs.1 lakh. The additional commitment to Government on this account will be Rs.3.20 crores per annum.**

120. This Government has decided to introduce a Health Fund Scheme for the employees of Town Panchayats, Panchayat Unions, Municipalities and Corporations in Tamil Nadu as is available to Government employees. A separate fund will be set up for this purpose. The Government will contribute Rs.20 lakhs every year as its share to this fund. Rs.5 per annum will be recovered from these employees as is done in the case of Government employees. Under this scheme assistance of Rs.1 lakh or 75% of the cost whichever is lower will be given for special surgeries and for medical treatment.

121. The bicycle advance, largely availed of by low paid employees will be enhanced from Rs.1000 at present to Rs.1500. Similarly, taking into account the present cost, the advance for the purchase of a new car will be enhanced from Rs.1.4 lakhs to Rs.2 lakhs and the advance for the purchase of motor cycles will be enhanced from Rs.25,000 to Rs.35,000. The advance for the purchase of second-hand vehicles will be accordingly enhanced.

122. The present restriction on the drawal of a second marriage advance by a Government employee who already has an outstanding marriage advance drawn for the marriage of his son or daughter, will be removed and he will be made eligible for a second advance. At present, Independence Day and Republic Day are not included in the list of festivals eligible for the drawal of festival advance. Hereafter, these two days will be added to the list.

123. Employees retiring from service are presently entitled to surrender a maximum of 240 days of earned leave and draw leave salary in lieu. **This Government has decided to accept the long pending demand of Government employees to surrender "Half Pay Leave on Private Affairs" at the time of retirement. Government employees will be permitted to surrender 50 percent of the leave on private affairs standing to their credit, at the time of retirement up to a maximum of 90 days, in lieu of leave salary. Further, House Rent Allowance, City Compensatory Allowance and Other Allowances will be paid along with the leave salary hereafter, on the surrender of earned leave exceeding 180 days at the time of retirement.** The above mentioned benefits will enable the drawal of a maximum of 8 months of full leave salary on surrender of earned leave and a maximum of 3 months full leave salary on the surrender of leave on private

affairs. This benefit will also apply to All India Services Officers serving under the State Government. This concession will cost the Government Rs.17 crores per annum.

124. As per the rules in force, employees should render 33 years of qualifying service to get full pension. With the age limit for entry into Government service raised to 28 years, an employee entering service at the age of 28 is not eligible for full pension. **Taking into account the representations of associations of Government employees, this Government has decided to reduce the qualifying service to get full pension from 33 years to 30 years and to make certain changes in the methodology for calculation of pension. For example, 50 percent of the pay last drawn will be fixed as pension instead of the present system of fixing pension based on the 10 months average basic pay. At the same time, taking into consideration the fact that in certain departments, employees are likely to face reversion just before retirement, the Government have decided to grant pension either at 50 percent of 10 months average pay drawn or 50 percent of the pay last drawn whichever is higher. This will be implemented with effect from 1.7.1996.**

125. I am proud and happy to point out that the above two schemes announced for the benefit of retiring employees are not in existence either in the Central Government or in other State Governments and that these are pioneering schemes introduced by the Government of Tamil Nadu.

## WELFARE OF PENSIONERS

126. As regards pensioners and family pensioners, the interim relief granted to them with effect from 1.10.1995 will be now given with retrospective effect from 1.4.1995 as is the case of Central Government pensioners. The merger of dearness allowance at 97 percent of pay for the calculation of the Death-cum-Retirement Gratuity and the enhanced maximum limit of Gratuity at Rs.2.50 lakhs which was given effect to only from 1.10.1995 by the previous Government, will now be given effect to retrospectively from 1.4.1995 on par with the employees of Central Government. Similarly, the enhanced medical allowance of Rs.50 per month given to Government employees from 1.12.1995 will be extended to pensioners. These concessions will cost the Government Rs.7 crores as recurring expenditure and Rs.57.50 crores as non-recurring expenditure.

127. There are about 2 lakh pensioners in Tamil Nadu. A separate fund will be created deducting Rs.20/- per month from their pension uniformly. In case the pensioner dies after making such deductions for one year, financial assistance of Rs.25,000/- will be paid to his family. Final shape will be given to the scheme after discussions with representatives of pensioners.

## JOURNALISTS' PENSION

128. When this party was in power in 1989, the monthly pension paid to journalists was enhanced from Rs.250 to Rs.400. This was raised to Rs.500 in 1992. Now, accepting their request, it has been decided to pay a monthly pension of Rs.1000.

## PROBLEMS OF FORMER VILLAGE OFFICERS

129. In addition to the scheme to provide employment to former village officers, payment of pension to them was also under consideration of this Government when it held office earlier. The Government was dismissed before this scheme could be implemented. The Tribunal had ordered the payment of pension to former village officers. But the previous Government did not initiate any action on the orders of the Tribunal and when the Village Officers filed an application for contempt of court, the Government went on appeal to the Supreme Court.

130. **This Government will take necessary steps to withdraw the appeal petition filed by the previous Government in the Supreme Court and extend the payment of pension to Village Officers benefitting 8,500 persons.**

## FINANCIAL POSITION

131. In the Interim Budget for 1996-97, presented by the previous Government, the total revenue receipts had been estimated at Rs.10,543.52 crores and the total expenditure at Rs.11,505.61 crores resulting in a revenue deficit of Rs.962.09 crores. In this Budget while the total revenue receipts are estimated to be Rs.11,068.07 crores higher by Rs.524.55 crores, the total expenditure has increased by Rs.601.09 crores to Rs.12,106.70 crores. The revenue deficit has thus widened to Rs.1038.63 crores. The main reasons for this include, the provision of an additional sum of Rs.90 crores over and above

the Interim Budget provision for payment of dearness allowance, the increase in the provision for food subsidy by Rs.150 crores over the Interim Budget Estimates, the inclusion of new Part-II schemes and the increase in the plan outlay.

132. In the Interim Budget for 1996-97, it had been estimated that the net effect of all transactions will be a deficit of Rs.270.66 crores. The deficit incurred during the year has widened to Rs.334.89 crores in the Revised Budget Estimates for 1996-97. Along with the closing balance in the Revised Estimates for 1995-96 estimated at (-)Rs.410.16 crores, the closing balance at the end of 1996-97 is now estimated at (-)Rs.745.05 crores.

133. The size of the revenue deficit and the overall deficit is a matter of serious concern. Therefore, it is essential to undertake suitable taxation and expenditure management measures to bridge the deficit to some extent.

## MOTOR VEHICLES TAX

134. In pursuance of the High Court's observation made in 1990, that it would be reasonable to levy a tax of Rs.1500 per seat per quarter on omni buses, the Government have decided to levy Rs.1500 per seat per quarter on all omni buses.

135. We propose to make certain changes in the tax on light motor vehicles. It has been decided to enhance the tax on only imported luxury vehicles, the details of which are as follows:

| **Unladen weight** | **Imported Vehicles** | |
|---|---|---|
| | **Present Rate** | **Revised Rate** |
| | **(in Rs per annum)** | |
| Not more than 700 kgs | 1500 | 1800 |
| 701 kgs to 1500 kgs | 1950 | 2350 |
| 1501 kgs to 2000 kgs | 2250 | 2700 |
| 2001 kgs to 3,000 kgs | 2400 | 2900 |
| More than 3000 kgs | 2700 | 3300 |

## COMMERCIAL TAX POLICY

136. When this party was in office earlier, most of the commodities were removed from multi-point taxation and brought to single point taxation. However, the previous Government re-imposed multi-point sales tax on several commodities. I am happy to inform the House that in response to the representations from traders' associations, it has been decided to remove all such items from multi point taxation and bring them back to single point taxation.

## LONG TERM TAXATION POLICY

137. It is our primary objective to provide a clean and corruption free administration to the people of Tamil Nadu. In order to achieve this and at the same time stimulate industrial growth and commerce, it is necessary that there should be a stable, investor-friendly atmosphere devoid of any uncertainty. It is with a view to achieve this noble objective that I wish to place before you a Long Term Taxation Policy. I am sure that both the trading community and industrial houses will whole-heartedly welcome this major step.

138. In order to avoid frequent changes in taxation, both in policy and in rates, this Government has decided to adopt a stable policy on commercial taxes with a long term objective. As a first step I would like to announce the following measures:

139. **The minimum turnover limit for sales tax is being raised from Rs.1 lakh to Rs.3 lakhs per annum**.

140. **For assessees whose turnover is Rs.3 lakhs or more but is less than Rs.10 lakhs an optional compounding system for payment of sales tax will be introduced:-**

| | |
|---|---|
| Rs.3 lakhs and above, but less than Rs.5 lakhs | 3% |
| Rs.5 lakhs and above, but less than Rs.10 lakhs | 5% |

It would be enough if such assessees maintain accounts for the total turnover. Detailed accounts need not be maintained.

## SELF-ASSESSMENT

141. At present the scheme of Self-Assessment is applicable only to those assessees whose turnover is less than Rs.5 lakhs. This ceiling is being

raised to include industries and traders with a turnover of upto Rs.10 lakhs. Under this scheme 25% of the accounts will be selected through the computer by the Commissioner of Commercial Taxes on a random sample basis and will be subject to detailed review. The local commercial tax officials would not have any individual discretion to inspect the accounts of the remaining 75% of the assessees. Under this scheme more than 70,000 assessees would stand to benefit and various obstacles faced by the small traders would totally vanish. Based on the response of the business community to this new scheme, the question of upward revision of this ceiling would be examined subsequently.

## TAX CONCESSIONS

142. **Although the State Government is not responsible for the increase in prices, realising its responsibilities, this Government, unmindful of the revenue loss of Rs.55 crores, has decided to totally exempt from Sales Tax basic food commodities which are used by people in their daily life including pulses, chilli, coriander(dhaniya), turmeric, tamarind, jeera, asafoetida, jaggery and soapnut (Seekkai).**

143. **Apart from this, silver toe-rings (Metti), anklets, waist cords, handmade matches, paddy husk, broken rice and coconut husk will also be totally exempted from tax.**

144. **The tax on cooking gas (LPG) will be reduced from the effective rate of 11.6% to 8%.**

145. The purchase tax on sugar cane is at the basic rate of 11% the total incidence of which, along with other taxes, is 14.7%. Sugar factories cannot avail of the concessional tax available to other manufacturers using raw materials under section 3(3). Therefore, as a measure to encourage the sugar industry, in the new tax structure, the tax on sugarcane will be reduced to 8%. Although, the loss of revenue to the Government as a result of this measure is Rs.57 crores, this concession is being extended in the hope of encouraging the sugar industry.

146. The earlier Government had effected a steep increase in the tree tax levied on 2(C) patta trees. Considering the people's opposition to this measure the tree tax will be reduced to the rates levied prior to the revision.

## MERGER OF SALES TAXES

147. Of the four elements of Sales Tax viz. Sales Tax, Surcharge on Sales Tax, Additional Surcharge on Sales Tax and Additional Sales Tax, **the Surcharge on Sales Tax and Additional Surcharge on Sales Tax will be**

**totally abolished throughout the State. Additional Sales Tax will be totally abolished for all firms with a taxable turn over of less than Rs.100 crores per year.** As a result of this, more than 70,000 dealers will benefit from the substantial reduction in workload and reduction in the number of tax assessment forms.

148. The existing levies will be merged and the following changes effected:

| Current Rate of Tax | The actual incidence of tax including Surcharge, Additional Surcharge and Additional Sales Tax | New Rate of tax |
|---|---|---|
| 1 | 3 | 2 |
| 3 | 5.6 | 4 |
| 5 | 8 | 8 |
| 8 | 11.6 | 12 |
| 12 | 16.4 | 16 |
| 16 | 21.2 | 20 |

149. There will be no change in the rate of tax for petrol and liquor. The rate of tax on diesel is being reduced from 19.2% to 18%

## VALUE ADDED TAX

150. We have examined certain tax reform measures within this short period of two months of assuming office and have decided to introduce the system of Value Added Tax in Tamil Nadu, on the lines of the system obtaining in States like Maharashtra.

151. Though manufacturing inputs are subject to only 3% sales tax, the actual tax incidence on inputs due to the levy of surcharge and additional sales tax works out to 5.6%. **With the merger of all the sales taxes into one composite tax as already indicated, we have also decided to actually reduce the sales tax on manufacturing inputs to 3%.** This measure will benefit the manufactures in the State to the extent of Rs.200 crores per annum. Further, this will lead to reduction in prices of products which would greatly facilitate the removal of obstacles in competing with other States and thus lead to better opportunities for industrial development.

152. **The tax on capital goods for power generation purchased from within the State for Government approved power generation projects will be reduced from 12 percent to 3 percent.**

153. The concessional 3% rate of tax for manufacturing inputs would also be extended to various types of machinery, power pumps, power factors and shunt capacitors, oil engines, furnaces and boilers, generator sets and all the associated accessories and spare parts. Government will lose revenue of Rs.55 crores due to these measures. However, this would facilitate industrial growth and create better opportunities for employment and thus strengthen the State's economy.

154. With a view to encourage exports from Tamil Nadu, all raw materials purchased within the State by registered 100% Export Oriented Units and units located in the Madras Export Processing Zone (MEPZ) will be fully exempted from payment of sales tax.

155. This Government, which has provided so many tax concessions with a view to promote industrial development, also intends introducing Value Added Tax on resellers. In the first stage, this system will be made applicable to all dealers with a total turnover of more than Rs.75 lakhs. This system will apply to only 8000 of the total of approximately 3 lakh registered dealers in the State. The dealers who come under this system will be required to pay Value Added Tax at the same rate as the sales tax on the goods. The sales tax payable at the time of resale will be levied only on the value addition at the re-seller's stage. Further, it would be sufficient if the Value Added Tax is paid after deducting the tax already paid on the purchases made.

156. The detailed revised Schedules with the new rates which will take effect from 17th July 1996 are being notified separately today. Copies of the notifications are placed on the Table of the House. Certain amendments to existing Acts are also necessary to give effect to some of the changes proposed. These amendments will be brought forward in the current Session itself.

157. We have decided to implement various tax reforms that I have outlined above, eventhough it would result in a very substantial loss in sales tax revenue amounting to Rs.306 crores, keeping in view the development of industry and commerce in the State. At the same time, such a large loss of revenue is likely to adversely affect development works and welfare schemes taken up by this Government. Therefore, it is very essential to compensate this revenue loss by levying new taxes. Our only request to the Government of India now is that suitable enabling legislation should be enacted to give the

States the power to levy Service Tax. Just as Services Tax is levied in several foreign countries, we have introduced Value Added Tax which is also levied in a number of foreign countries, unmindful of the revenue loss. Therefore, in our view it is very essential that the States are given the power to levy Service Tax to offset the loss.

158. To bridge the deficit to some extent, this Government has undertaken measures to drastically reduce the ostentatious expenditure incurred by the previous Government. I assure the House that this Government will not be extravagant in the manner in which Rs.27 crores were spent in five years on the functions in which the Chief Minister participated, excluding the World Tamil Conference and the South Asian Federation Games held recently; Rs.21 crores were incurred over five years on providing excessive security arrangements for the Chief Minister and the way in which crores of rupees of Government money was squandered on a variety of advertisements.

## CONCLUSION

159. Earlier in my speech, I had indicated that the closing deficit for 1996-97 would be Rs.745.05 crores. There are very few proposals for additional taxation, while several concessions to promote the growth of industries in the State and to secure the well being of the poor and middle classes have been given. The net effect of all the measures announced in this budget would be a revenue loss of Rs.306 crores. By ensuring economy in expenditure and with a better tax compliance and consequent on the major tax reforms undertaken, I am hopeful of neutralising the anticipated loss of revenue substantially. Even then, the loss is not likely to be bridged fully and the closing deficit for 1996-97 is likely to increase further by Rs.106 crores and go up to Rs.851.05 crores.

160. The Budget that I have presented before you is like a palmleaf fan with which the poor fan themselves; a clay lamp lit in the house of the working classes; a towel which wipes the sweat of farmers and agricultural labourers; industrial development which is the elixir for the welfare of workers and the alleviation of the unemployment problem; a little relief to weavers and fishermen who toil every day for their living; a brief flash of lightning for women, students and educated unemployed youth and like a garland of flowers placed at the feet of Mother Tamil who is dearer to us than our lives. On the whole, I am aware that it has not been possible to provide liberal bounties, but a little relief has been given to all. In any case, the Tamil people should not be angered by our inability to fulfil all their needs, and I would assure them that, as we still have in our hearts a number of schemes to be implemented for them in the future, they should not lose hope.

161. The Dravidian movement is the incomparable movement which shines with the spirit of being Tamil by language, Dravidian by race, Indian by nationality, and in the world, human. The movement had made innumerable sacrifices, offered up so many lives, overcame opposition, defeated treachery and passed through sufferings and agony, in order to protect the Tamil language; bring peace to the life of the Tamil people living in various parts of the world; prevent language imperialism from reducing Tamils to second grade citizens; safeguard democracy, which is like a lamp in a house, from being extinguished by the forest fire of autocracy; establish social justice with equity, equality before the law and fraternity; and to adhere to secularism, guarding the interests of the minorities like Muslims, Christians and people belonging to different religions from coming to any harm whatsoever. The D.M.K. is the socio-political vanguard of this movement. I would request all of you who are present in this House and the people of Tamil Nadu who have sent you as their representatives while fully realising that the services of the D.M.K. are still required for Tamil Nadu for a number of years, to render advice as teachers; standby us as comrades; be a mother bestowing affection and a disciplinarian father.

"மடுத்தவா யெல்லாம் பகடன்னான் உற்ற
இடுக்கண் இடர்ப்பா டுடைத்து"

" Who pulls forth like a bullock throughout ev'ry way and place,
will surely cause his griefs themselves to grieve and flee apace."

In keeping with the above words of Thiruvalluvar, this Government has prepared this Budget with same determination as that of an ox pulling its burden over an uneven path full of obstacles, in the belief unstinted efforts will result in an end to difficulties and ultimately in success. I would like to place on record my heartfelt gratitude, to the Finance Secretary Thiru Gurumurthi who has untiringly toiled day and night, and to the Secretaries of other departments for assisting me in preparing this Budget. With this I request the acceptance of the Budget for 1996-97.

**M.KARUNANIDHI,**
**CHIEF MINISTER.**

Madras,
17th July 1996.
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Thiruvalluvar Aandu 2027.

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